

[REDACTED]

CERTIFIED MAIL

[REDACTED]

JUL 20 1991

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code and have determined that you do not qualify for exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The evidence submitted indicates that your organization was incorporated [REDACTED], under the laws of [REDACTED] to promote stable and meaningful relationships among members with common ancestry, to foster a tighter solidarity in promoting educational and historical interest in the African-American Heritage and to operate exclusively for such charitable purposes as may qualify it for tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1954. In addition, the Corporation will develop and provide training and marketing skills, disseminate and publish educational materials, provide assistance in the establishment of scholarship programs and accept and hold property as may be necessary, proper, or desirable for the accomplishments of any of the foregoing purposes."

Adequate provision has made your articles of incorporation to provide for the distribution of your assets in the event your organization dissolves.

Article II of your by-laws further provides that the goals of this clan shall be as follows:

- a. To work for the religious, social, educational and economic advancement of family units of the clan.
- b. To work with and render assistance to any family or organization who shares our purposes.
- c. To foster unity and encourage the spirit of working together.
- d. To maintain and promote the political, educational, economic and social activities of family members.

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	7/14/91	7/14/91	7/14/91				

Membership in your organization consists of active members, those family members who pay dues and actively support and participate in family and clan activities and honorary members, those who are friends of the clan members but contribute valuable input.

The activities of your organization consist of holding an annual family reunion the third weekend each August. The agenda of this reunion shall include dinner and awards, a program with an educational theme, a religious service, a picnic and business meeting.

Your organization also expects to sponsor a scholarship program. To date, you indicate that no scholarship awards have been presented. However, to be eligible for a scholarship, an applicant must be an active clan member, submit an official academic transcript or GED certificate, two letters of recommendation from a school official and from another source which demonstrates that the applicant has participated in community activities.

The applicant must also show a letter of acceptance from the intended college or institution and prepare a 500 word essay describing the student's contributions to the family reunion and future career plans.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption of organizations which are organized and operated exclusively for charitable, religious, and educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to qualify for exemption under Code section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. Failure to meet either the organizational or operational test will disqualify an organization from exemption under section 501(c)(3).

Section 1.501(c)(3)-1(b)(1) of the Income Tax Regulations specifies that an organization is organized for one or more exempt purposes if its Articles of Incorporation limit the purpose of such organization to exempt purposes.

Section 1.501(c)(3)-1(b)(iv) of the income tax regulations states that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in section 501(c)(3).

Section 1.501(c)(3)-1(b)(4) of the Regulations provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose.

Section 1.501(c)(3)-1(c)(1) of the Regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish such purposes. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations states that an organization is not organized or operated for any purpose under section 501(c)(3) unless it serves a public rather than a private interest. Thus to meet the requirements of this subparagraph, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization or persons controlled, directly or indirectly, by such private interests. Moreover, even though an organization may have exempt purposes, it will not be considered as operating exclusively for such purpose if more than an insubstantial part of its activities serve a private interest.

A charitable organization or trust must be set up for the benefit of an indefinite class of individuals, not for specific persons. A trust or corporation organized and operated for the benefit of specific individuals is not charitable, regardless of an established financial need.

In Revenue Ruling 80-302, 1980-2, C.B. 182, an organization was formed to locate, acquire, and restore all available genealogical research records of a particular family. Membership in the organization is limited to lineal or legal descendants of the family. The organization's primary activity is the compilation of genealogical data on its members and the data is made available for a fee to interested family members. The genealogical data is not developed for the purpose of conforming to the religious precepts of the denomination to which the family members belong. Other activities of the organization include holding periodic reunions for family members and sponsoring social activities.

This revenue ruling held that compilation, publication, preservation and distribution of genealogical data has some educational value to individual members. However, when these activities are primarily limited to one particular family, the activities do not advance education to benefit the public interest within the meaning of section 1.501(c)(3)-1(d)(1)(ii) of the income tax regulations. Any benefit to the general public is merely incidental to the private benefit accruing to family members.

in Callaway Family Association, Inc. v. Commissioner, 71 T.C. 340 (1978), the court held that a family association formed as a nonprofit organization to study immigration to and migration within the United States by focusing on its own family history and genealogy does not qualify for exemption under section 501(c)(3) of the Code. These activities were not insubstantial and were not in furtherance of an exempt purpose. These activities also served private rather than public interests.

In Better Business Bureau v. United States, 326 U.S. 272-283, (1945), the court held that the existence of a single non-exempt purpose, if substantial in nature, will destroy exemption under section 501(c)(3) regardless of the number or importance of truly exempt purposes. To qualify for exemption under section 501(c)(3), the applicant organization must show (1) that it is organized and operated exclusively for religious, or charitable purposes, (2) that no part of the net earnings inures to the benefit of a private individual or shareholder, and (3) that no substantial part of its activities consists of the dissemination of propaganda or otherwise attempting to influence legislation or engaging in political activity. See Kenner v. Commissioner, 318 F. 2d. 632, (7th Cir. 1963).

Our review of the application submitted indicates that your articles of incorporation do not meet the organizational test required to be exempt under section 501(c)(3) since your purposes are broader than those permitted under this section. In addition, your purpose clause does not limit your purposes exclusively to one described in section 501(c)(3).

Your organization also does not meet the operational test required for exemption since your activities, like the organization described in Callaway Family Association Inc. v. Commissioner, benefit the members of particular families or clans who study their own genealogy. This type of research has limited public benefit.

Also, like the organization described in Revenue ruling 80-302, the genealogical data your organization compiles is not developed for the purpose of conforming to the religious precepts of the denomination to which your family members belong. Under these circumstances, these activities do not advance education to benefit the public interest within the meaning of section 1.501(c)(3)-1(d)(1)(ii) of the income tax regulations. Any benefit to the general public is merely incidental to the private benefit accruing to family members.

Based on the evidence submitted, we have determined that you are not organized and operated exclusively for one or more purposes described in section 501(c)(3) and your activities serve the private interests of your family members rather than public interests and purposes.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(3) of the Code. In accordance with this determination you are required to file Federal income tax returns on Form 1120.

Contributions to your organization are not deductible by donors under section 170(c)(2) of the Code.

In accordance with the provisions of section 6104(c) of the Code, a copy of this letter will be sent to the appropriate State officials.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination in this matter. Further, if you do not appeal this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust administrative remedies. Section 7428(b)(2) of the Code provides, in part, that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone phone number are shown in the heading of this letter.

Sincerely, [REDACTED]

[REDACTED]
District Director

Enclosure: Publication 892

cc: State Attorney General [REDACTED]